

ABC Schools Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2014

Registered Number SC281989

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ABC Schools Limited

Financial Statements

Year Ended 31 December 2014

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ABC Schools Limited

Company Information

The Board of Directors

F G Hogg (Resigned 31 October 2014)
P J Ramsay
J I Cavill
S Peck
D F Gilmour
BIIF Corporate Services Limited
Uilleam F Cameron (Appointed 1 November 2014)

Company secretary

Infrastructure Managers Limited

Registered office

2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Bankers

Royal Bank of Scotland Plc
PO Box 412
62/63 Threadneedle Street
London
EC2R 8LA

Solicitors

Maclay Murray & Spens LLP
Quartermile One
15 Lauriston Place
Edinburgh
EH3 9EP

ABC Schools Limited

Directors' Report

Year Ended 31 December 2014

The directors present their report and the financial statements of the Company for the year ended 31 December 2014.

Principal Activities and Business Review

The principal activity of the company during the year was the provision of design, construction, finance and facilities management of five schools to Argyll and Bute Council.

The Company is in the operational phase of the contract, which commenced on 28 February 2008. In the next financial period the Company will continue to face operational risks and will actively monitor financial performance against loan covenants.

This project is the first to be delivered under the pioneering variant of Non-Profit Distributing Organisation (NPDO) which has been given a high level support by the Scottish Government. Under this pioneering variant, it is envisaged that any surpluses made by ABC Schools Limited (after allocating surpluses in accordance with the agreed priorities) will be transferred via "Gift Aid" to an independent charity.

Results and Dividends

The profit for the year, after taxation, amounted to £685,923 (2013: £370,885).

The profit for the year will be transferred to reserves.

The results for the year are in line with budget. The directors anticipate that the Company will perform in line with budget in the coming financial year.

Key Performance Indicators

The performance of the investment from a cash perspective is assessed on a six monthly basis by the testing of the covenants of the investment's senior debt provider, the key indicator being the debt service cover ratio. The investment has been performing well and has been compliant with the covenants laid out in the loan agreement.

Financial Instruments

Details of the Company's financial risk management objectives and policies are included in note 13 to the accounts.

Directors

The directors who served the Company during the year and up to the date of this report are listed on page 1.

Auditor

PricewaterhouseCoopers LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

ABC Schools Limited

Directors' Report *(continued)*

Year Ended 31 December 2014

Small Company Provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Registered office:
2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Signed by order of the directors



Infrastructure Managers Limited
Company Secretary

Approved by the directors on 22 April 2015

• ABC Schools Limited

Statement of Directors' Responsibilities

Year Ended 31 December 2014

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing those financial statements, the directors are required to:

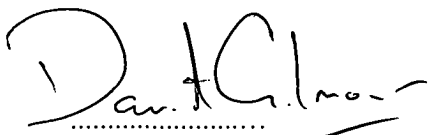
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors' responsibilities were approved by the board on 22 April 2015 and signed on its behalf by:


D F Gilmour

ABC Schools Limited

Independent Auditors' Report to the Members of ABC Schools Limited

Report on the Financial Statements

Our Opinion

In our opinion, ABC Schools Limited's financial statements ("the financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What We Have Audited

ABC Schools Limited's financial statements, comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ABC Schools Limited

Independent Auditors' Report to the Members of ABC Schools Limited *(continued)*

Other Matters on Which We are Required to Report by Exception

Adequacy of Accounting Records and Information and Explanations Received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's Members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

ABC Schools Limited

Independent Auditors' Report to the Members of ABC Schools Limited *(continued)*

What an Audit of Financial Statements Involves

We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Caroline Roxburgh (Senior Statutory Auditor)

For and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

22 April 2015

ABC Schools Limited

Profit and Loss Account

Year Ended 31 December 2014

	Note	2014 £	2013 £
Turnover	2	5,396,846	4,533,333
Cost of sales		<u>(3,570,950)</u>	<u>(2,838,984)</u>
Gross profit		1,825,896	1,694,349
Administrative expenses		<u>(838,048)</u>	<u>(852,370)</u>
Operating profit	3	987,848	841,979
Interest receivable	5	6,103,934	6,286,074
Interest payable and similar charges	6	(6,234,213)	(6,565,555)
Profit on ordinary activities before taxation		<u>857,569</u>	<u>562,498</u>
Tax on profit on ordinary activities	7	(171,646)	(191,613)
Profit for the financial year		<u><u>685,923</u></u>	<u><u>370,885</u></u>

All of the activities of the Company are classed as continuing.

The Company has no recognised gains and losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

The notes on pages 10 to 17 form part of these financial statements.

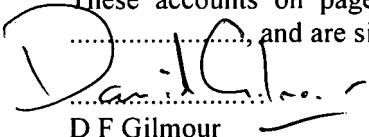
ABC Schools Limited

Balance Sheet

As at 31 December 2014

	Note	2014 £	2013 £
Current assets			
Debtors due within one year	8	4,489,360	3,513,772
Debtors due after one year	8	82,422,716	85,965,060
Cash at bank		11,739,168	11,789,288
		<u>98,651,244</u>	<u>101,268,120</u>
Creditors: Amounts falling due within one year	10	<u>(7,065,417)</u>	<u>(6,808,172)</u>
Net current assets		<u>91,585,827</u>	<u>94,459,948</u>
Total assets less current liabilities		<u>91,585,827</u>	<u>94,459,948</u>
Creditors: Amounts falling due after more than one year	11	<u>(92,529,873)</u>	<u>(96,089,917)</u>
Net liabilities		<u>(944,046)</u>	<u>(1,629,969)</u>
Capital and reserves			
Share capital	14	10	10
Profit and loss account	15	<u>(944,056)</u>	<u>(1,629,979)</u>
Deficiency of equity shareholders' funds	16	<u>(944,046)</u>	<u>(1,629,969)</u>

These accounts on pages 8 to 17 were approved by the directors and authorised for issue on 22 April 2015, and are signed on their behalf by:


D F Gilmour

Company Registration Number: SC281989

The notes on pages 10 to 17 form part of these financial statements.

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2014

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. The financial statements have been prepared on the going concern basis as the Company's financial projections indicate that sufficient funds will be generated to allow ongoing obligations to be met as they fall due.

Cash flow statement

The Company is a wholly owned subsidiary of BIIF Holdco Limited and is included in the consolidated financial statements of BIIF Holdco Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1.

Turnover

Turnover represents the services share of the management services income received by the Company for the provision of a PFI asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

Deferred taxation

Deferred tax is fully provided on timing differences recognised by the balance sheet date when the Company has an obligation to pay more or less tax in the future as a result of these timing differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. The Company has not adopted a policy of discounting deferred tax assets and liabilities, as permitted by FRS 19 (Deferred Tax).

Financial Instruments

The Company uses derivative financial instruments to manage exposures to fluctuations in interest rates. Amounts payable and receivable in respect of these derivatives are recognised as adjustments to interest expense over the term of the contracts.

Finance Debtor

Costs incurred in the construction of subsidiaries' assets have been accounted for under FRS 5 Application Note F.

When applying the guidance within the Application Note indicates that the project's principal agreements transfer substantially all the risks and rewards of ownership to the customer, the costs incurred by the company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2014

1. Accounting policies *(continued)*

Taxation

The tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. An analysis of turnover is given below:

	2014 £	2013 £
United Kingdom	<u>5,396,846</u>	<u>4,533,333</u>

3. Operating profit

Operating profit is stated after charging:

	2014 £	2013 £
Auditors' remuneration - as auditor	<u>9,596</u>	<u>8,700</u>

4. Particulars of employees and directors

There were no employees in the financial year other than the directors (2013: nil). Amounts paid to Directors in the year in respect of their services amounted to £26,849 (2013: £26,323).

5. Interest receivable

	2014 £	2013 £
Bank interest receivable	41,945	58,581
Other interest receivable	10	—
Finance debtor interest	<u>6,061,979</u>	<u>6,227,493</u>
	<u>6,103,934</u>	<u>6,286,074</u>

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2014

6. Interest payable and similar charges

	2014 £	2013 £
Interest payable on bank borrowing	4,586,357	4,907,233
Interest on other loans	1,600,153	1,610,457
Other similar charges	47,703	47,865
	<u>6,234,213</u>	<u>6,565,555</u>

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2014 £	2013 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 21.49% (2013 - 23.25%)	1,845	2,159
Over/under provision in prior year	5	-
Total current tax	<u>1,850</u>	<u>2,159</u>
Deferred tax:		
Origination and reversal of timing differences (note 9)		
Losses	169,796	189,454
Tax on profit on ordinary activities	<u>171,646</u>	<u>191,613</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%).

	2014 £	2013 £
Profit on ordinary activities before taxation	<u>857,569</u>	<u>562,498</u>
Profit on ordinary activities by rate of tax	184,318	130,757
Utilisation of tax losses	(182,473)	(128,598)
Adjustments to tax charge in respect of previous periods	5	-
Total current tax (note 7(a))	<u>1,850</u>	<u>2,159</u>

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2014

8. Debtors

	2014	2013
	£	£
Trade debtors	16,962	2,243
Finance debtor	86,156,865	88,680,705
Other debtors	183,781	86,570
Prepayments and accrued income	298,866	287,239
Other prepayments and accrued income	10,597	7,274
Deferred taxation (note 9)	245,005	414,801
	<u>86,912,076</u>	<u>89,478,832</u>

The debtors above include the following amounts falling due after more than one year:

	2014	2013
	£	£
Finance debtor	<u>82,422,716</u>	<u>85,965,060</u>

The movement in the finance debtor is analysed as follows:

	2014	2013
	£	£
At beginning of year	88,680,705	91,745,034
Repayments	(2,523,840)	(3,064,329)
	<u>86,156,865</u>	<u>88,680,705</u>

9. Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	2014	2013
	£	£
Included in debtors (note 8)	<u>245,005</u>	<u>414,801</u>

The movement in the deferred taxation account during the year was:

	2014	2013
	£	£
Balance brought forward	414,801	604,255
Profit and loss account movement arising during the year	(169,796)	(189,454)
Balance carried forward	<u>245,005</u>	<u>414,801</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2014	2013
	£	£
Tax losses available	<u>245,005</u>	<u>414,801</u>
	<u>245,005</u>	<u>414,801</u>

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2014

9. Deferred taxation *(continued)*

Deferred tax balances have been calculated at 20% being the UK main corporation tax rate effective from 1 April 2015.

10. Creditors: Amounts falling due within one year

	2014	2013
	£	£
Bank loans	3,513,899	3,399,119
Trade creditors	880,542	782,248
Amounts owed to group undertakings	453,590	457,800
Corporation tax	1,845	1,343
VAT	515,170	477,961
Other creditors	74,524	74,524
Accruals and deferred income	1,625,847	1,615,177
	<u>7,065,417</u>	<u>6,808,172</u>

Amounts owed to group undertakings relate to loan notes issued by ABC (Holdings) Limited, due within the year, of £50,846 (2013: £53,115) and accrued interest of £402,744 (2013: £404,685).

11. Creditors: Amounts falling due after more than one year

	2014	2013
	£	£
Bank loans	81,561,112	85,070,311
Amounts owed to group undertakings	10,968,761	11,019,606
	<u>92,529,873</u>	<u>96,089,917</u>

The bank loans are repayable in semi-annual instalments which commenced 31 March 2008. The final repayments of both bank loans are due 30 September 2032.

Issue costs of £846,297 (2013: £894,000) have been set off against total loan drawdowns in line with FRS4.

Bank loans from The Royal Bank of Scotland are represented by two tranches of term loans which total £42,963,076 (2013: £44,681,708) and bear interest based on LIBOR. On 14 September 2005 as part of its interest rate management strategy the Company entered into an interest rate swap in respect of part of the debt maturing in 2032. Under this swap, the Company receives interest on a variable basis and pays interest at a fixed rate of 4.6%. On 5 July 2006 as part of its interest rate management strategy the Company entered into a further interest rate swap with the Royal Bank of Scotland in respect of new debt on the Hermitage School added to the project. Under this new swap, the Company receives interest on a variable basis and pays interest at a fixed rate of 5.05%.

Bank loans from the European Investment Bank represent total term loans of £42,958,232 (2013: £44,681,722). Interest was charged on these loans at a fixed rate of 4.64% on a tranche of £29,745,534 (2013: £30,966,620) and 5.05% on a tranche of £13,212,698 (2013: £13,715,102).

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2014

Bank loans are secured by a bond and floating charge over the assets of the Company. In addition, the bank holds a Parent Security Agreement incorporating a floating charge over the assets of the immediate parent Company, ABC Schools (Holdings) Limited. Under the Parent Security Agreement the parent Company pledges as security its interest in the shares and loan stock of ABC Schools Limited.

Amounts owed to group undertakings relate to loan notes issued by ABC (Holdings) Limited. The loan notes are unsecured, bear interest at 4.88%/5.01% per annum from the date of issue until the project construction reached completion, followed by 14.5% now that the project is fully operational. They are repayable in semi-annual instalments and are wholly repayable by 31 March 2033.

12. Creditors - capital instruments

Creditors include loans which are due for repayment as follows:

	2014 £	2013 £
Amounts repayable:		
In one year or less or on demand	3,564,745	3,452,234
In more than one year but not more than two years	3,665,777	3,564,584
In more than two years but not more than five years	11,211,964	10,965,575
In more than five years	77,652,132	81,559,758
	<u>96,094,618</u>	<u>99,542,151</u>

13. Financial risk management objectives and policies

Due to the nature of the Company's business, the only financial risks the directors consider relevant to this Company are credit, cash flow, interest rate and liquidity risk. The credit and cash flow risks are not considered significant as the client is a quasi governmental organisation.

Interest rate risk

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2014

13. Financial risk management objectives and policies

(continued)

Liquidity risk

The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements at other than fair values:

	2014		2013	
	Carrying amount £	Fair value £	Carrying amount £	Fair value £
<i>Financial liabilities</i>				
Long term borrowing	(42,958,325)	(31,447,283)	(44,681,819)	(37,497,281)
Interest rate swap	—	(11,511,042)	—	(7,184,538)

The fair values of the fixed rate borrowing and the interest rate swap have been calculated by discounting the fixed cash flows at the prevailing interest rates at the year end.

14. Share capital

Authorised share capital:

	2014	2013
	£	£
100 Ordinary shares of £1 each	100	100

Allotted, called up and fully paid:

	2014		2013	
	No	£	No	£
Ordinary shares of £1 each	10	10	10	10

15. Profit and loss account

	2014	2013
	£	£
Balance brought forward	(1,629,979)	(2,000,864)
Profit for the financial year	685,923	370,885
Balance carried forward	(944,056)	(1,629,979)

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2014

16. Reconciliation of movements in shareholders' funds

	2014	2013
	£	£
Profit for the financial year	685,923	370,885
Opening shareholders' deficit	(1,629,969)	(2,000,854)
Closing shareholders' deficit	<u>(944,046)</u>	<u>(1,629,969)</u>

17. Related party disclosures

The directors have considered the provisions contained within FRS 8 and are satisfied that there are no further disclosures required.

Disclosure of related party transactions that the Directors have with the group which is consolidated at BIIF Holdco Limited are included in the accounts of that entity.

18. Ultimate parent company

The immediate parent undertaking is ABC Schools (Holdings) Limited.

The intermediate parent undertaking is BIIF Holdco Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of BIIF Holdco Limited consolidated financial statements can be obtained from the Company Secretary at c/o Dundas & Wilson, Northwest Wing Bush House, Aldwych, London WC2B 4EZ.

The ultimate parent and controlling party is BIIF L.P. BIIF L.P. is owned by a number of investors with no one investor having individual control. The immediate parent undertaking is ABC Schools (Holdings) Limited, a Company incorporated in Scotland, registered number SC281990.